

PUBLIC HEARING
ON
**BILL 18-1088 “THE RECIPROCAL STATE-
FEDERAL OFFSET ACT OF 2010”**

Before the
Committee on Finance and Revenue
Councilmember Jack Evans, Chairman
and the
Committee on Economic Development
Councilmember Kwame Brown, Chairman
Council of the District of Columbia

The Honorable Jack Evans, Chairman

November 22, 2010, 11:00 a.m.
John A. Wilson Building, Room 123



Testimony of Stephen M. Cordi
Deputy Chief Financial Officer
Office of Tax and Revenue
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia

Mr. Chairman and members of the Committee, my name is Stephen Cordi, Deputy Chief Financial Officer for the Office of Tax and Revenue. I am pleased to present testimony today on Bill 18-1088 “Reciprocal State-Federal Offset Act of 2010.”

This legislation would authorize the Chief Financial Officer to enter into an agreement with the U.S. Treasury to provide for the offset of D.C. tax and non tax debt against federal vendor payments in exchange for our agreement to offset D.C. vendor payments and income tax refunds for federal non tax debt. The program was authorized by federal legislation enacted in 1996 but not implemented until 2006 in a pilot mode with Maryland and New Jersey. The Treasury reports that those states collected a total of almost \$70 million as of June 1st of this year. The Treasury is now opening the program to other jurisdictions.

In order for D.C. to participate, the Council must enact Bill 18-1088, the language of which has been approved by the Treasury, enter into an operating agreement with the Treasury, do the computer programming necessary to create a file of receivables for transmission to the Treasury, activate another refund offset within the Integrated Tax System to handle

federal liabilities and do the programming necessary to transmit payments and offset data to the Treasury. If the legislation is enacted quickly, we believe the program can be made operational before the end of the fiscal year. For this reason, the fiscal impact statement estimates FY 2011 receipts of \$1.2 million.

The Treasury is sufficiently anxious for us to participate that it has agreed to defer the requirement that DC vendor payments be made available for offset until after the new SOAR system is implemented, sparing us the cost of doing the programming twice. That programming is, however, an expense that we will eventually have to incur.

Estimated revenues jump to \$5.6 million for FY 2012. It is important to note that these are only recoveries on tax liabilities. The program and this legislation authorize the recovery of non tax debt as well. Once the tax portion of the program is working satisfactorily, we will want to move forward with collecting debt on behalf of agencies across the District.

We urge the enactment of Bill 18-1088. This concludes my testimony and I am happy to answer any questions you may have on the proposed bill.

